

Toyota Will Face First Climate Shareholder Resolution

May 10th, 2023

Today, three shareholders are announcing that they have filed a climate lobbying-related resolution for Toyota Motor Corporation's Annual General Meeting June 14th. The filing comes after a long period of active engagement led by Danish pension fund, AkademikerPension (US\$20 bn in AUM), along with Norwegian financial services company, Storebrand Asset Management (US\$120 bn in AUM), and Dutch pension investment company, APG Asset Management (US\$600 bn AUM).

The independent think tank [InfluenceMap](#), which is producing data-driven analysis on how business and finance are impacting the climate crisis, is ranking Toyota as one of the most negative companies on climate lobbying. Influencemap, provides analyses for the investors in investor led Climate Action 100+ with US\$68 trillion in total assets under management.

Anders Schelde, Chief Investment Officer (CIO) at AkademikerPension said:

"We are filing a shareholder proposal for Toyota's upcoming AGM expected in June. After over two years of intense engagement with Toyota, it has still not been possible to reach common ground with the company. Independent analysts, [Influencemap](#), find that Toyota and its business associations such as Keidanren and JAMA still have a long way to go to be aligned with the goals of the Paris Agreement when it comes to their lobbying. From an investment perspective, we're concerned that Toyota is missing out on profits from soaring EV sales, [jeopardizing its valuable brand](#), and cementing [its global laggard status](#). We welcomed the dialogue and [annual disclosure](#) but we need concrete policy changes and a better annual review drawing on independent data to calm international investors."

Kamil Zabielski, Head of Sustainable Investment at Storebrand Asset Management said:

The Paris agreement needs strong regulation at the national level. Companies and trade associations should not be using their political influence to block climate policies and slow the pace of urgent climate action. We believe that Toyota, as a leading automotive company in Japan, should be consistent in their policy engagement in all geographic regions and ensure any engagement conducted on their behalf or with their support is aligned with our interest in a safe climate, in turn protecting the long-term value in our portfolios across all sectors and asset classes.

Herman Slooijer, CIO at APG Asset Management said:

Toyota Motor Corp is Japan Inc. Since [Toyota is the world's largest car maker](#), accelerating the company's EV transition is not only crucial for improving its business competitiveness, but also for giving a push to the decarbonization of the entire industry. Toyota plays a pivotal role in the Japanese automotive related industry, [which leads the country's manufacturing and economy](#). We therefore believe that Toyota leading engagement with industry associations, regulators, and its supply chains is critical for decarbonizing the Japanese economy as well as for sustainable economic growth and job creation in Japan. We encourage Toyota to enhance and increase transparency of its sustainability disclosures based on our suggestions – especially considering recent emission misrepresentation issues at some of [its affiliates](#). This is important to restore investors' confidence in Toyota's carbon reduction commitment and strategy.

Interviews:

To arrange interviews, please contact Joseph Zacune zacunefaj@gmail.com and copy to Jakob Lyders Tarpgaard jlt@akademikerpension.dk and Troels Børrild trb@akademikerpension.dk

Notes:

The Resolution (2023)

1. Details of the proposal

It is proposed that the following provision be added to the Articles of Incorporation.

The Company shall conduct a comprehensive, annual review and issue a report (at reasonable cost, omitting proprietary information) describing if, and how, the Company's climate-related lobbying activities (direct and through industry associations), including public statements, serve to reduce risks for the Company from climate change and how they align with the goals of the Paris Agreement and the Company's goal of carbon neutrality by 2050. The report should disclose any instances of misalignment with those goals, along with the planned actions to address these.

2. Reason for the proposal

The new provision in the Articles of Incorporation is intended to ensure that the Company makes robust disclosures, as part of its annual reporting, of (i) which lobbying activities directed at the issue of climate change the group companies are pursuing (whether through directly or indirectly influencing the legislative and administrative process or through public influence activities), and (ii) the extent to which these serve to reduce risks for the group companies from climate change and how they are aligned with the goals of the Paris Agreement of 12 December 2015 to keep average global temperature rise well-below 2 degrees Celsius, aiming for 1.5 degrees Celsius.

The co-filing Shareholders of the proposal recognize and appreciate that the Company issued a second report on climate lobbying in December 2022; "[Toyota's Views on Climate Public Policies 2022](#)." However, like the first report, this report falls far short of investor expectations as set forth, for example, by the Climate Action 100+ Net Zero Company Benchmarks for Climate Policy Engagement (please see the October 2021 edition ([ENG](#)) ([JPN](#)) and the September 2021 edition ([ENG](#)) ([JPN](#)) for details). Using the CA100+ Benchmark criteria, the quality of [the Company's disclosure on climate policy engagement as of December 2022](#) was scored 36/100, the same low score as of December 2021.

The co-filing Shareholders of the proposal find that the Company and shareholders alike could benefit from a strengthening of the Company's disclosures in 1) scope, covering more jurisdictions and trade associations, and 2) rigor in the analysis of potential misalignment with the goals of the Paris Agreement, and seek to support such strengthening by proposing an adjustment to the Company's Articles of Incorporation to introduce annual reporting on this material topic to the Company, shareholders and wider stakeholder groups in line with global investor expectations.

Such disclosures could serve to mitigate reputational and other risks, including potential backlash from customers, business partners, employees and investors associated with the Company's climate-related lobbying activities in recent years.

The co-filing Shareholders of the proposal and other like-minded institutional shareholders of the Company have engaged intensively and constructively with the Company since 2021 and encourage the Board of Directors to support and recommend a vote for this proposal.

Timeline – Engagement with Toyota on climate-related lobbying

4 March 2021

AkademikerPension and Storebrand Asset Management commence dialogue with Toyota Motor along with investors AP7 and Church of England. AkademikerPension flags intention to file shareholder proposal on climate-related lobbying.

19 April 2021

AkademikerPension withdraws shareholder proposal based on assurances from Toyota that it will support the goals of the Paris Agreement and review its climate lobbying which it refers to as ‘public policy engagement activities’.

10 May 2021

Shareholders criticize Toyota’s then CEO Toyoda in Reuters as he makes negative public statements on climate-related regulation.

Sep-Dec 2021

Engagement continues.

16 Nov 2021

The draft is shared in a meeting between Toyota and the investor group. Our views are shared with the company also followed up with an email particularly focusing on room for improvement.

28 Dec 2021

The report “[Toyota’s Views on Climate Public Policies 2021](#)” published.

Q1-Q2 2022

The investor group reconvenes to discuss the quality of the report and deem that it falls short of investor expectations. AkademikerPension prepares and files a shareholder proposal on 20 April 2022 which is rejected by Toyota as it arrived one day too late for an undisclosed deadline.

Sep 2022- Dec 2022

Engagement continues including at an in-person meeting in Denmark.

December 2022

The report “[Toyota’s Views on Climate Public Policies 2022](#)” published. Indented language throughout highlights the changes in text, including additional language on fossil fuels.

Jan-April 2023

Engagement continues including in-person meetings.

April 2023

The investors file a proposal for the 2023 AGM and ask for the support of the board of directors of Toyota. Engagement continues.